

Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 DODE-00 PM-05 CIAE-00 INR-10
NSAE-00 MCE-00 ABF-01 OMB-01 TRSE-00 AID-05 /033 R

DRAFTED BY NEA/ARN:RNEUMANN:DP

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NEA/RA - COL. GROSS

NEA/ARN - MR. HOWELL

-----005268 080640Z /13

R 072040Z SEP 78

FM SECSTATE WASHDC

TO AMEMBASSY AMMAN

INFO AMEMBASSY JIDDA

SECDEF WASHDC 1200

C O N F I D E N T I A L STATE 227011

E.O. 11652: GDS

TAGS: MASS, MILL, JO

SUBJECT: RELEASE OF FY 77 FMS FUNDS

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REF: (A) AMMAN 06859 (231524Z AUG), (B) STATE 185952
(221732Z JUL), (C) JIDDA 1167 (140627Z FEB)

1. CONCERNING FIRST QUESTION OF REFTTEL A, IT DOES NOT
APPEAR THAT JAF REQUESTS TO CONVERT OVERDUE FMS CASH CASES
TO FMS CREDIT WOULD EXHAUST THE DOLS 33.6 MILLION OF FY 77
FMS FUNDS NOW AUTHORIZED FOR JORDANIAN DRAWDOWN. DRAWDOWNS
UP TO NOW HAVE BEEN ONLY SLIGHTLY OVER DOLS 1 MILLION.
CONVERSION OF OUTSTANIDNG FMS CASH PAYMENTS NOW OVERDUE
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WOULD RAISE THIS TO ABOUT DOLS 9 MILLION BUT THIS WOULD
STILL LEAVE A REASONABLE MARGIN. THERE ARE ALSO DOLS 2.5
MILLION OF FY 76 FMS CREDIT STILL UNRESERVED WHICH COULD
ALSO BE USED FOR REPAYMENT OF OVERDUE FMS CASH CASES.

2. WHILE DISBURSEMENTS WILL NOT THEMSELVES BE A PROBLEM,
WE ARE GOING TO APPROACH THE LIMIT OF AVAILABLE CREDIT

WITH THE SIGNING OF LOA'S NOW IN PROCESS FOR 100 APC'S AND 18 155 SP HOWITZERS. WHILE THE WHOLE VALUE OF THESE CASES WILL NOT NEED TO BE DISBURSED FOR SOME TIME, THE TOTAL OF DISBURSEMENTS AND THE SIGNED LOA'S WOULD REPRESENT

COMMITMENTS OF NEARLY ALL PRESENTLY AVAILABLE FY 77 FMS. IN THE ABSENCE OF A GUARANTEE THAT THE REST OF FY 77 FUNDS WILL BE REPAID BY A THIRD PARTY, WE COULD NOT PERMIT THE SIGNING OF ADDITIONAL LOA'S WHICH WOULD REQUIRE THE EVENTUAL DISBURSEMENT OF FUNDS NOT NOW AVAILABLE TO THE GOJ. IN SUM, WE SEE NO REASON TO REFUSE THE PRESENT JORDANIAN REQUEST TO CONVERT FMS CASH PAYMENTS NOW DUE TO FMS CREDIT BUT THE JORDANIANS SHOULD BE MADE AWARE THAT WITH THE MAJOR LOA'S NOW PENDING AND THE CASH TO CREDIT TRANSFERS THEY WILL HAVE COMMITTED NEARLY ALL AVAILABLE FMS FUNDS.

3. ON THE MORE DIFFICULT QUESTION OF WHAT THE SAUDI \$150 MILLION GUARANTEE COVERS, SAUDI EMBASSY COULD SHED NO LIGHT ON WHAT FUNDS WERE DRAWN ON FOR THE LATEST SAUDI CHECK WHICH PAID THE JUNE 30 INSTALLMENT OF JORDAN'S FY 75 FMS LOAN (LOAN 751) (REFTEL B). THE SAG TOLD US IN FEBRUARY (REFTEL C) THAT THE \$150 MILLION COVERED ALL RPT ALL PAST LOANS WHICH THE SAG HAD GUARANTEED. SAUDIS ALSO SAID THAT THEY WOULD HONOR PAST GUARANTEES IF GOJ DID NOT MAKE PAYMENTS AND WOULD THEN WITHHOLD EQUIVA-
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LENT AMOUNTS FROM NEXT INSTALLMENT OF PAYMENTS PROMISED TO GOJ AND WOULD DEDUCT AMOUNT OF SUCH PAYMENTS FROM \$150 MILLION TOTAL. THUS, DIRECT RECEIPT BY US OF PAYMENT ON FY 75 GUARANTEE PAYMENT DOES NOT PROVE JORDANIAN CASE SINCE IT IS PERFECTLY CONSISTENT WITH WHAT SAUDIS TOLD US IN FEBRUARY. GIVEN THE APPARENT CLARITY OF THE SAUDI RESPONSE IN FEBRUARY WE ARE NOT DISPOSED TO ASK THEM THE SAME QUESTION AGAIN.

4. THE JAF'S CONTENTION THAT THE SAUDI PAYMENT OF THE FUNDS DUE THIS JUNE ON THE FY 75 GUARANTEE WOULD PROVIDE SUFFICIENT EVIDENCE THAT THE \$150 MILLION WAS INTENDED ONLY TO COVER THE FY 76 AND 77 FMS CREDITS CAME UP ONLY IN THE FINAL SESSION OF THE JMC AND WAS NOT FULLY DISCUSSED. LACK OF FORMAL REBUTTAL MAY HAVE CONTRIBUTED TO IMPRESSION LEFT WITH MG MAJALI BUT STATE REPRESENTATIVES DENY CATEGORICALLY THAT SUCH A COMMITMENT WAS MADE.

5. DRAWING ON PARAGRAPHS 3 AND 4 AS NECESSARY YOU SHOULD TELL JAF THAT:

-- WE REGRET THE MISUNDERSTANDING OVER THE IMPLICATIONS

WHICH JORDAN THOUGHT WE WOULD DRAW FROM THE SAUDI PAYMENT
ON THE FY 75 LOAN. HOWEVER, WE HAVE MOST CAREFULLY
REVIEWED OUR FILES AND RECORDS OF CONVERSATIONS WITH
THE SAUDIS AND CANNOT AGREE WITH THE JAF CONTENTION THAT
THE SAUDIS INTEND TO PAY THE FY 76 FMS GUARANTEE

SEPARATELY FROM THE \$150 MILLION. THEREFORE, WE CANNOT
AGREE TO AUTHORIZE DRAWDOWNS OF THE \$33.9 MILLION IN FY 77
FUNDS WHICH THE JAF CONTENTS IS GUARANTEED.

-- WE CONTINUE TO BELIEVE THAT IT IS UP TO THE JORDANIANS
TO OBTAIN CLARIFICATION FROM THE SAUDIS OF THE SAUDI-
JORDANIAN AGREEMENT. THIS CLARIFICATION SHOULD SPECIFY:
(A) WHETHER SAMA INDEPENDENTLY OF THE SAUDI-JORDANIAN
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AGREEMENT WILL CONTINUE TO MAKE PAYMENTS ON THE FY 75
FMS LOAN, PRINCIPAL AND INTEREST OR, (B) WHETHER THE
\$150 MILLION IS TO BE USED TO SETTLE THE FY 75 AND 76
LOANS WITH ANYTHING LEFT OVER FOR PAYMENT AGAINST NEW AND
UNGUARANTEED FMS LOANS.

CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FUND ALLOTMENT, MILITARY SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE227011
Document Source: CORE
Document Unique ID: 00
Drafter: RNEUMANN:DP
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780365-0917
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780992/aaaacycm.tel
Line Count: 143
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: bccede55-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 AMMAN 6859, 78 STATE 185952
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01 aug 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1515932
Secure: OPEN
Status: NATIVE
Subject: RELEASE OF FY 77 FMS FUNDS -
TAGS: MASS, MILI, JO
To: AMMAN
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/bccede55-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014